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SUBJECT: A/S WAYNE'S MEETING WITH LEBANESE MINISTER OF
ECONOMY AND TRADE HAMADEH

11. (SBU) Summary: During a bilateral meeting held June 25 on the margins of the International Arab Banking Summit in Montreal, A/S Anthony Wayne and Lebanese Minister of Economy and Trade Marwan Hamadeh discussed the regional economic situation with a focus on the fight against terrorist financing; cooperation on Iraq; implementation of Paris II; and trade issues including IPR protection and the President's initiatives on the Middle East Free Trade Agreement (MEFTA) and Middle East Partnership Initiative (MEPI). There was also discussion of the visa status of Minister of Finance Siniora and the recent cancellation of Air Canada's Beirut-Montreal flight. End summary.

USG Action

12. (SBU) Action requests for information to provide to Minister Hamadeh are in para 13 (status of the visa review for Minister of Finance Siniora) and para 14 (contact information on the Baghdad Forum).

No Economic Collapse, but Some Stumbling Blocks

13. (U) A/S Wayne opened the meeting by expressing his pleasant surprise at the perseverance of the Lebanese economy, noting that the economic collapse many feared had not come about. Hamadeh explained that Lebanon has an economy not of figures, but of atmosphere, climate, and the confidence of the Lebanese, and cited the secure Pound, the increasing balance of payments, and the level of Central Bank reserves as positive signs. He confirmed that Paris II implementation is proceeding well -- most countries have honored their commitments -- but it has been complicated by the situation in Iraq.

14. (U) GOL privatization plans have been delayed by the war in Iraq (as they do not want to sell at depressed prices) but are continuing. The GOL will call for adjudication of firms in the telecom field very shortly, and already has pre-qualified a number of companies, mainly from the region and Europe. However, if the financial offers are weak the GOL may start with partial privatizations, for example spinning off only the management function of certain firms. All privatization revenue will be dedicated to debt reduction and go into a special fund for that purpose. He added that the GOL needs to cut military expenses but that is difficult when "the region is still boiling."

Ambitious Plans on Trade (and IPR Protection)

15. (U) Hamadeh stressed the GOL focus on three main tasks:

11. Positioning Lebanon in the emerging Arab common market;
12. Concluding an accord de participation with the EU;
13. Acceding to the WTO.

In the context of the EU agreement he highlighted IPR protection and quality control as areas that will need work. He later expanded on this, detailing complaints made by EU firms, with specific mention of Chanel and Louis Vuitton. Pointing out that it makes most sense to cut off the flow of illegal goods at the point of origin (China), he added that the scale of counterfeiting makes that infeasible. As a result, Lebanese customs is increasing its efforts to prevent entry or transit of counterfeit goods.

16. (U) A/S Wayne detailed continuing USG concerns about IPR protection (pharmaceuticals, optical disk piracy, cable TV piracy, etc.), noting that Lebanon was named to the Special 301 Priority Watch List. Hamadeh acknowledged that Lebanon ranked 13th in our report, and that is "not a good position." He added that IPR protection is "foreign to the Lebanese mind," and the laissez-faire attitude has gone to unacceptable extremes.

17. (U) On the status of the legislation amending the Industrial Property Law, Hamadeh said that it is moving forward. Although the Ministry of Health has the lead, it involves a wide range of GOL agencies so progress is slow.

However, he is doing his utmost to keep it moving forward and committed to continue his efforts. (There was no comment on whether the MOH would stop registering unauthorized copies of pharmaceutical products.)

18. (C) A/S Wayne stressed the need to bring piracy of copyrighted material, especially cable TV content and optical media, under control and asked what we can do to support GOL efforts to combat piracy. Hamadeh said that in response to USG concerns he will personally look into the pirate factory reportedly operating in a Hizballah region. "I can assure you that we are making big efforts in three areas (qualifying for WTO and the trade agreements with the EU and GCC). We know this (IPR) is a major battlefield and we will engage. We are committed. However, our means are not always up to our determination. I'll put more pressure on, and the Prime Minister really wants to do something." In response to the offer of USG assistance, he said, "there are daily visits of your people in our Ministry."

19. (U) Note: over the course of the conversation Hamadeh expressed his appreciation for USG support, with specific mention of USAID assistance with Lebanon's WTO accession and USG guidance on cracking down on IPR violations. He referred several times to his close coordination with Embassy Beirut and Ambassador Battle. End note.

Continued Commitment to Counter Terrorist Financing

110. (SBU) A/S Wayne thanked Hamadeh for Lebanon's strong cooperation on the fight against terrorist financing and in blocking Iraqi assets. Hamadeh emphasized that the GOL is committed to doing whatever is necessary to prevent the flow of terrorist funds through the Lebanese financial system.

111. (SBU) While expressing strong commitment to the fight against terrorist financing, Hamadeh asked for USG understanding of the nuances of dealing with Hizballah. He stressed that the USG's supporters in Lebanon should not be pushed to "perilous choices." He acknowledged that the USG is showing some patience regarding Hizballah, but the people consider it successful in removing the Israelis (so do not support punitive moves). He advised that Lebanon should be treated with a lot of delicatessen. "We should not always be penalized for things we are not directly responsible for. You have friends in the Middle East. They deserve to be treated with patience and good will."

Beirut-Montreal Flight Was Safe

112. (SBU) Hamadeh raised the Canadian government's recent cancellation of Air Canada's Montreal-Beirut flight, saying unofficial Canadian channels suggest it was due to USG pressure, and that "we see it as reflecting your view of Hizballah." He stressed that Beirut airport is one of the safest in the world and that flights from all over Europe travel in and out without incident. The cancellation does not stop travel between Montreal and Beirut; people just transit Europe. A/S Wayne responded that we try to be understanding, but we consider Hizballah a terrorist organization. (Note: Cancellation of the Beirut-Montreal flight came up frequently during the course of the day, always with the knowing assumption that the GOC acted in response to USG arm-twisting. End note.)

MinFin's Visa

113. (C) On Finance Minister Siniora's visa situation, A/S Wayne confirmed that we know and respect the work he has done to strengthen US-Lebanon ties; that we are conducting a thorough review, and expect a determination shortly. Hamadeh, who was familiar with the situation, suggested that the problem arose during Ramadan when Ministers are inundated with requests for charitable contributions at iftar dinners, and try to be equitable in contributions to Sunni and Shiite charities. He went into some detail on the history and affiliation of various Shiite leaders, making a distinction between those who are involved with Hizballah and those, such as the one to whom he believes the contribution was made, who have distanced themselves from the organization, notably Fadlallah (sp?). Wayne undertook to check on the status of USG action on the visa situation.

Looking forward to continued cooperation on Iraq: tracing assets and increasing trade

114. (SBU) Lebanese traders are extremely interested in getting involved in Iraq, but Hamadeh is urging them to be cautious, citing the risk of becoming involved with militia or unethical operators. Ambassador Battle has assured him that there is "no veto" against participation by Lebanese companies in Iraqi reconstruction. A/S Wayne noted that there is not yet a system for coordinating commercial

facilitation, and suggested the GOL or Lebanese companies find a means to participate in the Forum in Baghdad that was recently established for such tasks. He promised to provide Hamadeh with a contact point and more information on the Forum.

15. (SBU) Hamadeh confirmed that Lebanon will continue to cooperate closely in the search for Iraqi assets; will do what is necessary to block and return Iraqi assets; and will welcome the visit from forensic accountants once that is requested by the Iraqi Central Bank. He revealed that the Iraqi Ambassador had tried repeatedly to withdraw large amounts of cash from an account (before the freeze was announced), but the GOL had limited him to approximately \$10,000 a month to pay salaries, or to transfers to an account in another financial institution (an option of which the Ambassador did not avail himself).

Time for a Syria-Lebanon Annex to Road Map

16. (U) Hamadeh stressed that it is "high time to think of a Syria-Lebanon annex for the Road Map," saying that is a view that has been conveyed many times to Secretary Powell. Bringing in the Syrians would provide a better approach on the Palestinian front and a more relaxed situation in Lebanon.

Great Interest in Details of MEFTA

17. (SBU) Hamadeh showed great interest in the details of MEFTA (Middle East Free Trade Agreement) and listened closely to A/S Wayne's description of the President's vision. (Note: based on questions during the panel discussion and throughout the day; Hamadeh's interest reflects a thirst for detail in the region. End note.) After hearing A/S Wayne's explanation of the various methods by which the initial FTAs in the region could be expanded, he said Lebanon would probably favor the option of cumulative addition of countries to existing FTAs. He explained that Lebanon faces serious problems with trade through both Syria and Jordan, saying they do not properly implement their FTAs with Lebanon and are charging high transshipment duties. He said the GCC has indicated a willingness to include Lebanon in its plans for an emerging common market (implying that Lebanon has more in common with the trading nations of the Gulf than with its immediate neighbors).

18. (SBU) A/S Wayne described MEPI (Middle East Partnership Initiative), and praised Lebanon's heritage of higher education, saying it is unique in the region and probably a major reason Lebanon's economy has survived as well as it has. Hamadeh responded somewhat grimly that "we have to defend daily that heritage," and that there are strong forces that continue to resist both education and economic reforms.

Bio

19. (U) On the English version of his business card Hamadeh spells his name "Hamad" (with an accent grave on the final e). He started his working life as a journalist, including a stint in Vietnam from 1967-68, and entered parliament in the early '80s. His past ministerial posts include Tourism, Health, and Displaced People. This is his second stint as Minister of the Economy. Hamadeh is extremely fluent English.

20. (U) A/S Wayne cleared this cable.
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